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THE
LANDED CREDIT SYSTEM
OR
CANADA

EXPLAINED AND RECOMMENDED AS THE SUREST
AND MOST PROFITABLE MEDIUM FOR
THE INVESTMENT

OF

BRITISH CAPITAL.

BY AN ANGLO-CANADIAN. X

[John Symons
Toronto]

"LIBÉRATION PAR AMORTISSEMENT."

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EFFINGHAM WILCOX, ROYAL EXCHANGE.
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ОВАДІЯ

ПРОСТОРІЙ СЛОВОВИЧІ
І ПРОСТОРІЙ СЛОВОВІЧІ
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THE
LANDED CREDIT SYSTEM
OF
CANADA.

"A well-written pamphlet on American Securities, by an 'Anglo-American,' purports to guide and warn British Investors with respect to their selection of railway and other investments in that country. Its arguments are correct up to a certain point, but it wholly overlooks the most vital consideration in the whole question. The field for profitable enterprize in America the writer fairly assumes to be practically illimitable. Therefore, he says, all you have to do is to satisfy yourself that any undertaking into which you may be disposed to enter fulfils certain rational conditions with regard to quality and situation, and you will get an extraordinary rate of interest, combined with perfect safety. Thus, in the case of a railway, the scheme must comprise possession of extensive adjoining lands, naturally good, or rich either in minerals or timber; and the route must be sufficiently near to markets, to leave an ample profit on the produce raised after paying expenses of transportation. 'In any enterprise embracing these conditions,' it is affirmed, 'both the security and the profit must inevitably be of the first class; other undertakings *MAY* turn out advantageously: undertakings possessing these characteristics *must* do so.' It is to be feared that any Anglo-American who can entertain the unqualified confidence thus expressed, and proclaim it to his countrymen, under the idea that he is setting forth a warning, has his experience yet to buy. Undoubtedly the conditions he names ought to ensure the prosperous results which seem so plain to him. Intending Shareholders cannot do better than attend to his advice on these points; but they must also satisfy themselves upon another, without which, although it has escaped him, everything else is as nothing. A distant rent-roll is not much, unless you can be sure of your steward. Add the certainty of honest management, and of a faithful regard to the interests of foreign partners, to the requisites cited in the present pamphlet, and you will undoubtedly have a key to an income which will enable you ever after to despise consols. Until that certainty can be gained, the reflection for investors may possibly be—the better the property the greater the danger; and the caution is not altogether invidious as regards America, seeing in this country how the finest railway enterprizes have been brought to insolvency. That some extra care is called for in dealing on the other side of the Atlantic, is a fact that may be urged without offence, having in view the recent experience of the New York and New Haven repudiation, the Erie competition, the Pittsburgh confiscation, and other similar incidents in the history of lines, all of which would have been in the same position, however much they might have enjoyed the elements which, according to the present writer, 'ought alone to satisfy the English money-holder, that, without incurring a particle of risk, he may more than double his income within a short space of time.' Meanwhile, every one will admit with him that America should be the most secure and advantageous field for the employment of British Capital, and will feel that the misconduct which has prevented that consummation operates as a grievous wrong to both countries."—*The Times*.

"An Extraordinary rate of Interest" is only another term for very bad security. Even if attainable at all, as in the case stated, it would simply be a benefit to be enjoyed *in futuro*. The first investor should not think of it. His children might possibly be the recipients of a small interest, but the "Extraordinary rate" he may rest assured is reserved only for the third generation. A railway is not the Philosopher's stone, nor

are wild or uncultivated lands adjoining a railway turned into gold in a day or a year or even years; and if therefore British Investors really seek a *present* income we rather advise them to leave out of their calculation the very questionable security of the "Railway possessing extensive adjoining lands" altogether, and to be satisfied with the land alone—land without the entangling alliances of either railway, steamboat, or other adjunct whatsoever—land pure and simple. They cannot be at a loss for such an investment. Let them look around, and they will find, if not in the land of old England, certainly in the "dirty acres" of the substantial Yeoman of Upper Canada, their best and surest security—in the latter case, a security paying them six per cent. to the day, with the facility of repossessing the principal, the moment they want it.

Besides, all the advantages in favour of investors which "Anglo-American" claims for the United States, will apply with equal if not greater force to Canada. There the laws, habits, and customs are assimilated to those of the parent empire. Geographically, the situation of Western Canada is far superior. Being in about the same latitude, that is, ten degrees more south than England, it has in many respects the same climate as Spain, Italy, and the South of Europe; and by its contiguity to the great lakes, which contain far more than half the fresh water in all the lakes and rivers of the world, the extremes of heat and cold are powerfully modified. And then its rivers—the St. Lawrence, whose entire course is upwards of 2000 miles, with its thousand islands and scenery unequalled in America, being the great highway for the burthens nature intended should reach the ocean—the Chaudière, which drains a country of 3000 square miles—the Ottawa, and Saguenay, and numerous other rivers of immense extent flowing through districts abounding in natural wealth, and admirably adapted for the purposes of agriculture and settlement. All these run into and swell the mighty St. Lawrence. And if investments are particularly desired in Railway Companies, Canada offers the best market. She has the largest railway in the world, being now nearly a thousand miles long. In bringing produce from the great West, the Grand Trunk has more business than it can well accommodate; and for emigrants from Europe, it is their cheapest and most expeditious route to all parts of Canada and the Western States. It has before it a great and lasting future, and at the present price of its stocks should prove a good investment. This, the Great Western, and indeed all the Canadian Railways, are built on the soundest engineering principles, and have been pronounced by the highest authority to be equal to any in Europe, and superior to any on the American Continent. We cannot stay to speak of the Municipal or Educational systems of Canada, which Canadians are so justly proud of. Their Municipal system has taught them the virtue of self-reliance, and it has built up for them a form of government assimilated as near as possible to that which has been fondly called "the perfection of human wisdom." It has been well and eloquently said by Mr. Sheridan Hogan:—"Canada in its present position to Great Britain, may be looked upon as a married son—He has a house of his own to care for—He has his own fortune to make—He has his own children to look after, and to provide for.—But these children cling around their grandfather Britain's knee, They hear his tales of his glory, and they are made manly. They drink in his lessons of wisdom, and they are made good. They are warmed with his

and their own forefathers' patriotism, and they are prepared, as on a recent occasion, to lavish their treasures in his support, and to shed their heart's blood, if needs be, to maintain his freedom and to bear aloft his honor!"*

Such a people in a rich and magnificent country, cannot but have a great and a glorious destiny, and it is their broad acres which now invite the employment of, and offer the best security for British Capital.

The writer of the Pamphlet referred to, rather unnecessarily, shall we say presumptuously? bespeaks a place for the business men of America as regards the management of Joint Stock Companies, by the side of the Glyns, the Barings, the Huths the Weguelins, and others whose names illustrate the reputation of British Commerce. No one doubts the great respectability of many of the American Merchants. But we claim for Canadian Merchants at least as high a standing, men who, for punctuality in all matters of business, for the strictest integrity, for known experience and intelligence, for the nicest sense of honor—have no superiors—Men in short, whose word is their Bond—if their names are found associated with any undertaking, it is at once a guarantee that it rests on a sound basis, and that what is promised will be performed to the letter. "Anglo-American" says, "*The Times* in reviewing his essay, acknowledges that the field for profitable enterprise in America, that is United States, is practically illimitable." Now *The Times* acknowledged no such thing. What *The Times* said was "The field for profitable enterprise in America, the writer fairly assumes to be practically illimitable." It is like the old story of the man who could prove from the Bible that there was no God—He left out the context, "The fool hath said in his heart," which makes all the difference in the world. Such a want of faithful quotation from so great an authority as *The Times*, is to be regretted, and is hardly worthy of the writer of a pamphlet, otherwise so creditably written.

But we hasten to the immediate object we have in view, which is to point out to Investors, the advantages offered to them by the Landed Credit System of Canada.

The Canadian Legislature has placed on its Statute Book, an act which is destined to effect an entire and most beneficial change in the mode of mortgaging in that country; it has sagaciously and thoughtfully adopted the Crédit Foncier system, which has conferred such immense benefits on the agricultural population of Continental Europe; and when we have stated what that system is, with regard to the lending of money on landed security, and give as we propose to do, a short sketch of its working in Canada, we think it will be admitted, apart from the object above stated, to be a subject worthy the serious consideration of all connected with landed property in this country, whether England might not advantageously take a leaf out of the book of one of her children, who in this respect, we must say is greatly in advance of her, and do something towards improving her odious system of mortgaging, insecure and inconvenient to the lender, attended in the long run with almost certain ruin to the borrower, and productive of incalculable evil to all classes of society.

In Canada then, they have raised an Institution, which gives to agriculture the

* Witness their munificent contributions to the "Patriotic Fund," and the chivalrous ardour with which on the instant they raised and sent one thousand men to fight England's battles.—Honor to the 100th!

same resources as the banks furnish to their commerce. The banks only lend on bills at a short date, they expect money advanced for commercial undertakings to be soon repaid, the circulation of it is rapid; they will not lend upon land, because the contrary is the case. The return of capital laid out upon land is only by little and little, by very small but at the same time very sure instalments. The Landed Credit Institutions therefore acknowledge this great principle, that as the profits of the land are only realized gradually and at long intervals, therefore money lent on it should be repaid gradually and at long intervals.

The agricultural interest of Canada had long raised its just complaints on the scarcity and consequent dearness of money lent to it, upon the enormous charges which borrowers were occasionally put to, and upon the great difficulty which was found to exist in repaying, at a short date, capital employed in the cultivation of the soil, only brought to perfection by a successive augmentation of its products at the end of a great number of years. Thus, whilst money had on mortgage increases every day, property, far from being able to free itself from the incumbrance, and at the same time to permit of proper cultivation, has at length, in numberless cases, succumbed under the weight of its own burdens.

Is it not the case, in England as well as in Canada, that a proprietor who borrows on mortgage, sees his income absorbed in the payment of interest and taxes, and family expenses? That in the impossibility of his repaying the capital when it becomes due, he is forced to solicit, to him, very burdensome delays, and at length arrives, not unfrequently, at the point where he is dispossessed and ruined.

This is without question, the every-day experience of many who are and have been, landed proprietors, and if so, it is a deplorable situation, and it deserves the best energies of every thoughtful man to see that it is not prolonged; to adopt and support any plan which holds out the prospect of *a gradual liquidation of an amount borrowed*, of a freedom from incumbrance so adjusted, that an advance made to a landed proprietor shall be, as it were, imperceptibly cancelled. If you do not find some such means—if you do not procure for agriculture, capital at a moderate price, it can never rise beyond depression, and the onward progress of a country will be seriously impeded.

We are led to enquire, to what causes these difficulties ought to be attributed. Why should immoveable property the most solid of all securities, not succeed in attracting capital to it except on conditions more strict and onerous than commerce and trade. Why? Because, when it has contracted loans, it finds much difficulty, almost amounting to an impossibility, in repaying them.

In the old countries of Europe there was little security to the capitalist who lent on mortgage. There was no publicity of Titles. There might be hidden mortgages, annuities, or rent charges, and in the case of a loan or purchase being effected, no possibility of ascertaining these facts; exposing the lenders to such great risks, that it was said in France, "When one purchases, one is never sure of becoming the proprietor, when one lends on mortgage, one is never sure of being re-paid." This defect of security, however, does not apply to Canada, inasmuch as the Registration of deeds being of universal obligation throughout the Province, the true state of title is at once

easily and cheaply ascertained; and when to this advantage is added the important fact of titles being derived directly, or almost directly, from the Crown; and also when the annually progressive increase in the value of landed property is considered, one sees that the mortgage in that country, even on the old system, is the very best security, as a security, the capitalist can have; yet there is one serious drawback—the great sacrifice which a lender must make if he wants his capital before the mortgage is run out, and the costs and the delays, if a suit of foreclosure is resorted to. So that we comprehend how it is that lenders exact from borrowers, over and above the natural price of money, a commission, a sort of premium which is to them a compensation for the dangers and difficulties of repayment.

Another principal cause is in the mortgage system itself, which requires the debt to be repaid in one sum all at once. The great attraction which attaches to the possession of the soil gives to it a value far above its productive power. Too often we buy beyond our resources—too often we burden ourselves to excess. The income of the mortgaged estate is oftentimes insufficient to pay even the interest; with what reason then is it expected that the whole capital itself should be repaid all at once at a short date? Whilst the farmer accumulates slowly, by an annual economy, or by the gradual increase of his produce, the term of repayment, the inexorable term, comes upon him rapidly, and he finds it an impossibility to make payment all at once of the whole amount.

How rarely does an estate once mortgaged become free again, your large landed proprietor borrows £5,000 for five years, and then pays it off by borrowing £10,000, and that again by borrowing £20,000 and so on. To pay so large an amount in one lump out of the profits of his estate, is simply impossible; some lucky chance, some wealthy alliance, or as more frequently happens, the sale of a portion or the whole of the estate may do it, but the rental of the land—never.

Hence the constant torture of mind of the landed proprietor, hence the irregularity in the payment of the interest and in the repayment of the capital which has been lent to him; hence also, by a very natural consequence, the strictness of the conditions which he is very often forced into by the lender.

Such are the causes which have exercised so dire an influence on landed credit, and which have so long paralyzed the development of agricultural industry and production in Canada and also in this country.

You have a population consuming more than the soil now produces, but by no means more than it could produce if more capital could be employed upon it. Capital you have in abundance, but it is to a great extent excluded from the soil in consequence of the artificial difficulties, dangers, expenses, and delays which attend loans upon landed security; but all this the system now pursued in Canada obviates, and money is invested and repossessed with so much facility that no one, not even the most timid capitalist need hereafter sigh for the "elegant simplicity of the 3 per cents."

The system of paying off a mortgage debt by little and little, dates from the earliest times of which we have any account, and even in England it obtained at a very early period, so that there is nothing new or original in the plan now under notice.

But although in England, ages ago, it became incorporated, and ultimately lost in a more vicious system, it was again revived, and has been the one almost universally organized on the Continent of Europe for the last eighty years.

The origin of these institutions in Europe is now well known. The most ancient dates back to the year 1770. It was founded in Silesia. The country, we are told, was in a deplorable state. The effects of the seven years' war, the rise in the rate of interest and the low price of agricultural produce after the war was over, had reduced the proprietors of land to a sad extremity. Their credit was ruined, and capital at once deserted them. In this wretched state, a Berlin merchant, M. Büring, came to their rescue and proposed a remedy.

His plan was simply to combine all the estates of all the proprietors into one security, and to substitute that combined security for the individual security of each separate debtor. The plan at first was very imperfect, for there was yet wanting the grand principle of the system, a sinking fund. Yet it produced the most admirable effects—the rate of interest fell, capital returned, and usury, which feeds on the poor man's hard necessity, fled the country. Proprietors who had been in momentary expectation of being dispossessed of their estates, were now enabled to obtain fresh and additional loans—agriculture more than ever prospered, and the land, in consequence of these new advantages, increased rapidly in value.

The success of this first experiment (which was made under the auspices of Frederick the Great, a success of which any Sovereign or Government might be proud) brought about by degrees the foundation of a great number of establishments of the same kind in the rest of Germany, Pomerania, Bavaria, Wurtemburg, Hanover, Galicia, Mecklenburgh, Saxony, and many other States. Principalities or Duchies have seen them successively established amongst them. Many Sovereigns encouraged them by subsidies. In some countries the State managed them, in others they were formed by an Association of Landed Proprietors or by Commercial Companies, but all were under the surveillance, and many of them had the care and countenance of the Government.

Submitting to strict rules, invested with privileges and powers which assured the prompt repayment of their advances, these establishments every where inspired a just confidence, and we find that even in the most difficult times they were enabled to hold on their way without having recourse to any rigorous proceedings against the borrowers; and what is remarkable, in the midst of the most grave crises, which occasioned wars or revolutions, the value of their debentures, under the title of "Lettres de gage," maintained a rate always superior to that of the public funds, and why? *The Capitalist knew that he had good and immoveable land for his security.*

Nor were the benefits of these institutions confined to the great estates, for whose special benefit they were at first organized. Every where, where they were established, they worked to the advantage of the landed proprietors great and small, more especially in the reduction of the rate of interest. They lessened the encumbrances on the land, and they furnished it with the means of cultivation.

These institutions, we have seen, have extended themselves all over the Continent of Europe, and it may occur to some, if their tendency is so beneficial, why have they

not been established in England, the answer is, that here there is no general registry of landed property whereby the state of a title can be easily and cheaply ascertained, an essential element in the working of these institutions. A writer in the Edinburgh Review for October, 1857, in a very able article which we shall freely use in this sketch, says, that, "without such a register no plan for effectually facilitating mortgages on land can be devised, such a register exists in other civilized countries of Europe, and the fact of our not having one ourselves is a disgrace to our Legislature." So that in this respect, they are in Canada in a much better position than we are in England. They possess a registry of titles—a registry, as a general rule, well kept and admirably adapted for the working of a Landed Credit Institution. They have embraced the opportunity, and a Landed Credit Company is now organized there.

Thus we have endeavoured to show, why capital is not attracted to the land, and we have given a short history of the rise and progress of institutions founded on the Continent of Europe, for the express purpose of relieving agriculture, suffering from the very same causes which weigh down and oppress that important interest in our own country; and we now direct attention very briefly to two or three of the important features of the Landed Credit System as established in Canada.

The first is the just confidence which a lender will have, when he knows he has for his security the accumulated securities of a great number of estates, all vested in one individual or company. If a party had lent perhaps his all, on an estate which, through fraud or forgery, turned out valueless, he is utterly ruined; but if he had lent his money to a well managed Landed Credit Company, so terrible a calamity could not have happened. The rest or reserved fund, which the Company has, meets a contingency of this sort; or put it in the worst point of view, if that fund was insufficient, or if there were no fund at all, then all that could happen would be that the next half-yearly dividend would be a quarter or half per cent. less. We do not like diminished dividends, but the wide spread misery of a ruined family has been averted and not a complaint is heard.

In connexion, and forming an essential feature in this Company, there is a sinking fund. The repayments by the borrower, which are small, and made at long intervals, become his capital, and by the steady application of interest and compound interest to it, the growth of that capital is so rapid that in a few years it reduces considerably, and eventually pays off the principal debt. The wonderful rate at which a sinking fund increases must be obvious to most persons.

The law of accumulation of money at compound interest is so simple, and yet its powers are so prodigious, that it has been demonstrated with mathematical certainty that any sum, however small, increasing at that ratio, would, in a given time, extinguish any debt however great; and the applicability of this principle to paying off mortgage debts, the principle of progressive liquidation, is what we advocate and would earnestly insist on.

George the Third, in 1790, had the credit of establishing, or rather reviving at Zelle, in Hanover, the system of extinguishing a mortgage debt by little and little every year, instead of repaying the principal in one sum. This was an improvement on the system established in Silesia in 1770.

"Experience," says the writer, already referred to, "has shown under ordinary circumstances, that agriculture cannot repay in one sum, all at once, the capital advanced by way of loan to the soil. Any new plan giving additional facility in advancing money for that purpose, will, unless a plan of *gradual* repayment be enforced, in the course of time, increase the difficulties of the borrower. The temptation to borrow becomes greater, the time for repayment more distant, more and more impossible. The proprietors, overwhelmed with debt, at least recognized that a system must be bad which is not only powerless in preventing them from being dispossessed, but which, by delaying it without cause, makes that ruin more and more certain, and retains them always on the brink of the precipice."

We have, at the outset, referred to some of the advantages of the system, we may further remark on one or two others.

The repayments by little and little to a sinking fund hold out a great advantage to a borrower who at any time may wish to sell. We suppose him to have an estate of 300 acres, 200 of which are cleared, he has had difficulty in getting on for want of a little capital; his land is not half so productive as it would be with but a slight addition of labour bestowed upon it; his stock are few and poor; his farming implements inconvenient; his cottage mean and devoid of comfort. Now, with the 4,000 dols.* borrowed of this Company and laid out with judgment, he sees his crops greatly increased; his cattle numerous and in fine condition; his implements of husbandry of the best construction and which he uses without stint, and his dwelling enlarged and now affording every necessary comfort; and, moreover, he has added to his really productive farm 50 acres of the 100 acres left in wood. He had borrowed the 4,000 dols. repayable in 23 years by 80 dols. 80 cents. yearly, a payment easily made and almost insignificant in comparison with his present advantages, and he has enjoyed his bettered condition, we will suppose, for five years, and now for some cause or other wishes to sell. Had the money borrowed been an ordinary mortgage liable to be called in on six months notice, he would have found this next to impossible, except at a ruinous sacrifice: a purchaser would shrink from any negotiation unless the first condition was that the mortgage must be discharged, which the mortgagor might not just agree to at that time. Humiliated he seeks a purchaser from door to door in his own little world, and employs at great expense first one agent and then another who do the like, but the mortgage bugbear is seen in every face, and so in time he wearies of the search. The load is borne for many a year, and at length being unable to repay so large a sum all at once, he is relieved from it by being relieved of his estate, which is sold by order of the mortgagor to pay himself his principal, interest and costs.

Now, with the incon siderable repayments allowed by the Company, this mortgage is no objection whatever; but rather, to the small capitalist at least, the very person the borrower is most likely to meet with, an emigrant perhaps from this country, a positive advantage. For he having at his disposal perhaps only just the agreed value of the estate and stock, pays down all *but the remainder of the mortgage money*, which he

* The Canadian Government has recently adopted a decimal currency. The dollars are brought into sterling by dividing by 5.

retains to pay off gradually, and this very sum enables him to carry on the requirements of his new and really handsome farm with advantage, comfort, and independence, and without the least fear of a six months' notice to pay off the mortgage. An immense advantage it is to the borrower that he has the entire control of the mortgage money for the full term agreed on, whilst, if he wishes, by giving three months' notice he can pay it off at any time.

The company, by having connected with it a sinking fund, will destroy most of the evils attendant on the present system of mortgaging; it will create habits of order among proprietors, by rigorously enforcing the punctual payment of the interest when it becomes due; by receiving and investing these small annual payments at compound interest, it not only is enabled to restore to the borrower his estate perfectly free, but also makes him feel that every year his debt is decreasing in amount through his own prudence. And he sees in the spirit of our motto, there is "freedom from debt by means of a sinking fund."

Another advantage of the sinking fund is, that it is at least a check on the inclination of some parties to borrow for undesirable objects. They know before hand that they must pay back annually, and therefore if they do not invest the money borrowed judiciously, it will be out of their power to comply with this requirement, and their estate will be lost to them. The chief object of the Company is to assist Agriculture—and it looks to the annual increase of the land as the best and surest means of repayment of both principal and interest. Experience, however, shows that some few persons will borrow for extravagant and undesirable objects, no matter at what cost. It cannot be prevented, but it is believed the system pursued by the Company will at least act as a check on such propensities.

Another important feature in the new system is, the Debenture.* Whilst the plan of paying a mortgage debt off gradually was in use in England at a very early period the plan of raising mortgage money by debenture or "Lettre de gage," as it is called on the Continent, is of modern date, at least it is coincident with the system established there. The debenture, in fact, supplies the place of the mortgage deeds which represent the land, and which instead of being handed to the lender, remain in the hands of his agent, or in other words, with the Company who hold them for him. The lender may keep the debenture in his strong box, contented in knowing that he has improved land for his security, and that he receives the interest with regularity half-yearly, just as he would do if it were an ordinary mortgage, with this difference and this great advantage, that if at any time he wished again to have the use of his principal, the debenture is easily negotiated, and being made payable to bearer, is transferred without expense. It is a marketable commodity, and at any moment can be converted into money. Bankers and Capitalists not only accept but seek after those Landed Credit Debentures, for if on the one hand they lose the advantage of having a debt which they can demand payment of only at a fixed period, on the other hand they find in these simple instruments, the precious facility of receiving their capital when convenient to them by negotiation.

* It is a promissory note based upon the credit of the capital of the Company, and on the securities held on real estate by the Company, and given in exchange for money lent to the Company.

If the lender had merely the mortgage deeds in his possession, he would find them only an encumbrance; he could make no use of them, no one would advance money upon them, and even if he had been so fortunate as to have had his interest punctually paid, if the time came when he wanted his principal, his only course would be to give a six months' notice—if the mortgage were not for a specified time—to the borrower to pay him; and the great probability is, that having undergone the disagreeable business of pressing his debtor for months after the expiration of the notice, he at length only gets paid by a sale of the estate. How much more satisfactory to be freed from so disagreeable a necessity; to be sure of his interest to the day, and of his principal the moment he wants it.

The Company is bound by its act only to advance its monies upon first mortgages, and this circumstance, combined with the important fact that, by its returns to the Government it cannot issue more debentures than there are securities to represent them of at least double their value, must be an assurance to the capitalist, that these Landed Credit Debentures are issued upon a permanent and safe basis.

It may be asked what the position of the Company is with respect to the Government of Canada. The Government does not charge itself, either with the direction, or with the administration of the Company. But it does this,—it takes it to a certain extent under its protection. It submits it to a control—to a surveillance, which is indispensable to guarantee the public, that it will not disregard the rules and conditions which are prescribed to it. It requires statements on oath to be sent periodically to its Minister of Finance, showing the exact position of the Company, and which are published in such manner as the Minister thinks most conducive to the public good; and he is invested with stringent powers of examination of the books and enquiry into the affairs of the Company, whenever he sees fit. By this government control the public is put in possession of the exact measure of confidence which it ought to have in the institution.

We proceed to shew the advantages the Canadian Company offers, and first to the borrower—

1st. He is enabled with great ease to borrow of the Company the sum he requires, without having recourse to the heavy expense of employing a number of Agents. He has merely to satisfy the Company that he is entitled to the estate which he proposes to give as a security, an estimate is made of its value by the Company, and the estate is duly registered as a security to the Company for the amount advanced.

2nd. By borrowing of this Company there is no possibility of the borrower ever been called upon suddenly or unexpectedly to pay off the debt. When the money is borrowed he enters into a contract to pay a certain fixed sum yearly, in addition to the interest into a sinking fund, and the Company agrees with him that when the amount of these small sums, which bear compound interest, equal the amount lent, his debt will be cancelled and his estate will have become entirely free. Experience has shown, under ordinary circumstances, that mortgage debts are rarely repaid in one sum all at once. The repayment is seldom if ever made until after a lapse of years, and then generally by a sale of the estate. The Company offers the borrower the great advantage of paying off his mortgage debt, little by little, so that at the end of a

certain definite time, 23 years, the estate will be his own, and once more, through his own prudence and foresight, entirely free. It is a Savings Bank for him, in which he can conveniently place a small annual saving to accumulate at interest and compound interest, and be the means eventually of paying off his debt. It cannot be expected that an individual lender will take any such trouble and agree to receive these small yearly or half-yearly instalments, nor will any borrower take the trouble of investing for himself a small annual payment for a great many years together with the interest as it accrued. The debt is expected by the lender, when paid, to be paid off in one sum or several large sums. But what the borrower cannot do for himself, and what the lender will not do for him, is done with the greatest ease by this Company.

3rd. The borrower, on giving notice, is allowed to pay off his debt at any time, and the different sums he has paid to the Sinking Fund, with compound interest, is reckoned in the account.

The advantages offered by this Company to the lender, are reciprocal:

1st. The lender has the security of a number of estates collectively, together with the certainty of his interest being paid regularly to the day, without his ever having to seek after, annoy, or dispossess any individual. The Company alone being responsible to him.

2nd. The lender has no anxiety, care, or even thought, as to the character of any individual borrower, or of the value of the land mortgaged.

3rd. The security or debenture which he holds bearing 6 per cent. interest payable in London or Toronto, is a marketable commodity, easily transferred from hand to hand, so that he can convert it into money at any moment.

4th. The Sinking Fund of the Company—whilst it makes the borrower feel that every year his debt is decreasing in amount, and secures to him, in course of time, perfect freedom from debt—is every day improving and making more effectual the security of the lender. There is daily, as it were, money accumulating to meet the sum advanced by the lender, and his security is, in consequence, more and more established.

From these, which are only a few of the advantages the Company offers to the lender and the borrower, it will be seen that the question of facilitating the means of borrowing, and of encouraging the flow of capital to the land, is one of the greatest importance in a national point of view. The farmer who desires to render his land in the highest degree productive, to adopt a system of drainage, to keep good fences, to build barns, to use the best implements, and to enlarge and improve his dwelling, will not hesitate to borrow capital when it can be had and repaid with such certainty and ease: To borrow money on landed security will cease to be a sign of poverty, and be one of the ways of becoming more wealthy and of benefiting society—the labourer, the artizan, the merchant, as well as the landowners, will all be materially benefited by the stimulus given by the system we advocate,

As regards the Company itself. Its object is to be the intermediary, the friend of

both lender and borrower. It has to see that the payments are made with regularity,* and to invest them, or a portion of them, again as the accumulating fund to pay off the debt according to previous agreement. The Company has also to pay the interest to the lender, on the day it becomes due. In everything the Company holds the balance equal between the capitalists and the landed proprietors.

There are surely thousands who will eagerly invest their surplus funds where there can be no risk, and where the interest is certain to be paid to the day. Capitalists advancing money on the security of productive land in a country, prosperous beyond parallel, and where the monied institutions are upon a firm basis, have the highest and best security it is possible to give.

It is a peculiar feature of this Company that it is empowered to borrow on its own security—the Company being itself secured by the accumulated securities of a number of estates all mortgaged—the exact amount of money which it has lent. If, for example 100,000 dols. £20,000, be let out on mortgage, the Company may issue its certificates or debentures for a corresponding amount, bearing interest, and these may be issued, not one debenture for one mortgage, say of 2,000 dols. £400, but in debentures of various amounts from 50 dols. £10, upwards, altogether making up 2,000 dols. £400. They are issued in small amounts so as to be easily negotiated, and so as to suit the small as well as the large Capitalist.

Without some check there might no doubt be more debentures issued than there were securities to represent them. The act therefore provides, that audited returns similar to what the banks are required to furnish, shall be made half-yearly to the Government and published in the *Gazette* and certain newspapers, of the then state of the affairs of the Company, shewing the amount of securities in its possession, and the amount of debentures issued and afloat, which are never to exceed the amount lent or due on those securities. The precise position of the Government with regard to the Company has been already noticed.

The Company is not in the interest exclusively of either capitalist or landed proprietor, but of both. It is their agent or intermediary. It does not seek to obtain for one very large profits at the ruinous cost of the other; but it gives to the capitalist in Canada the highest market value for his money, and to the Capitalist in England a much higher value for his money than can there be obtained, and with that regularity and ease, the absence of which are so severely felt by mortgagees on the old system in both countries, at the same time that it accomplishes all this by facilitating the means of mortgaging—of encouraging the flow of capital to the soil, it will confer inestimable benefits on agriculture and on all persons connected with it, from the owners down to the humblest laborers employed.

* From the Annual Report of the Company just issued, it is stated that of 67 half-yearly payments of interest due recently, 48 were paid before due generally two or three days or a week; 18 were paid a few days after they were due, and the delay generally arose from cross posts or accidental circumstances, and only 1 was in arrear for any time, and that is now paid; an assurance to the Debenture holder, that inasmuch as the Mortgagors, paying so easily and punctually their interest, the Company in turn is enabled, easily and punctually, to pay him his interest.

The Company is governed by a President, Vice-President and Board of twelve Directors, six of whom go out of office by rotation in each year, but are eligible for re-election as Directors (see appendix). The Board is responsible to the shareholders for the appointment of their officers, and for the conduct and management of the affairs of every department, subject and in accordance to the act of Parliament and the By-Laws made thereunder.

It is a fundamental rule of the Board, indeed it is imperative by the act of Incorporation, that no advance be made but on improved landed property yielding an annual income.

No advance is allowed to be made on personal security or on personal property. Nor does the Company lend except on a first Mortgage.

The proportion of the sum lent to the value of the estate cannot exceed in amount one half of the value ascertained by the surveyor of the Company.

It is one great advantage of this Company that the lender deals exclusively with it. He has no anxiety, care, or even thought as to the character of any individual borrower—he does not even know what particular estate or estates are his security for the money he has lent. He has to look to the Company alone, and to satisfy himself of the respectability and responsibility of that Company, and that it will not issue more debentures than it has securities in its possession; and to secure this latter object, audited returns are made to the Government of the Company's affairs, as already stated, thus giving the strongest guaranty to the public for the good management of the Company.

In Canada, where there are so many industrial enterprizes, offering large returns for capital employed in them, it is not to be expected that any great amount of capital will be diverted from them, even though the investment offered by this Company be on the most solid basis—the interest fixed and certain, and the repayment attainable at any moment. But are there not a great number here, where interest is low, who will eagerly seek after the debenture which is secured by good land to more than twice its value? Such are, for example, mercantile houses, who frequently possess current funds, often considerable, which are unproductive; why should not these invest in the debentures of this Company, for whilst getting a good interest they can realize at any moment?—the funds of those who are incapable of managing for themselves—those arising from rigid economy, or periodical savings—those belonging to the public establishments—the cautious capitalist—all those who seek after sure investments, rather than very high interest obtained at great risk of security. Will not all these invest in the Landed Credit Debentures, when issued on an unexceptionable basis?

As a guaranty for the performance of its engagements with the holders of the debentures, the Company offers to them:

1st. The advantage which it possesses of the first half-years annuity of the borrower being paid in advance.

2nd. The rigour with which it enforces the punctual payment of future interest.

3rd. The resources which the sinking fund places at its disposal.

4th. The strict punctuality with which it makes its own payments.

Tables have been prepared which show at a glance the amount to be paid the sinking fund for a loan of 100 dollars for any given number of years, from five to twenty-three inclusive, with which it is not necessary to trouble the reader.

And now we would ask, parenthetically, whilst advocating the principle and expressing our admiration, and rejoicing in the success, of the Company whose history we have sketched—a success which the landed proprietors of Canada know how to appreciate—whether it would not be possible to found some such Institution in England. Difficulties there are, and will be in any great enterprise, but which by steady perseverance may be overcome, and if properly met, may even be converted into instruments of power, and confer lasting honor on the mind that achieves the triumph.

“——what merit to be dropped on Fortune's hill ?
Th honor is to mount it.”

We are met at the outset by one, the want of a general registry of deeds. In the present temper of the Legislature this obstacle appears almost insurmountable, but it need not prevent the attainment of a great amount of good, if you cannot get all you wish—The very class who oppose all attempts to introduce a registration of deeds, is just that class which would most benefit by it. More enlightened views we are happy to think are beginning to be entertained on this vexed subject, and until it is settled, if the landed interest and capitalists can only be made to see, and appreciate, and embrace the system we advocate, as they are sure to do in the end, some progress will have been made, and there will then only remain the question as to how long parties requiring money on mortgage will yet prefer the luxury of paying enormous charges for investigating a Title which with a registry would be effected at a comparatively trifling cost.

But, perhaps, a more formidable obstacle is the low rate of interest in England as compared with Canada. The rate of interest obviously depends on what can be made by the employment of capital in industrial undertakings. Where profits are high, as in Canada, interest is also high—8 per cent. is there considered a low interest, and therefore a Company realizing that interest can afford to pay 6 per cent. on its debentures, and have a handsome surplus to pay costs of management, and a good dividend on its stock besides. But a Company here might have difficulty in raising any considerable amount at 3 or 4 per cent., and investing it on mortgages of land at 5 or 6; indeed, large amounts would not command an interest of more than 4 per cent., and then where is the margin of profit for working expenses? These might, perhaps, be provided for by a small fee payable by the mortgagors, although this mode would be objectionable on many accounts.

But leaving such matters to be dealt with by abler hands, and contenting ourselves with making these suggestions, we recur to our first position, that the land

alone, good and immoveable land, in Canada West is far better security for capital than "a railway possessing extensive adjoining lands" in the United States. The latter *only* holds out the prospect of "a distant rent-roll," as shrewdly remarks *The Times*, the former *gives A PRESENT AND HANDSOME INCOME TO THE BRITISH CAPITALIST.*

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APPENDIX.

Canada Landed Credit Company,

INCORPORATED BY ACTS OF THE PARLIAMENT OF CANADA.

CAPITAL 400,000.

PRESIDENT:

LEWIS MOFFATT, Esq.

VICE-PRESIDENT:

W. P. HOWLAND, Esq., M. P. P.

DIRECTORS:

THE HON. G. W. ALLAN, M.L.C.
R. D. CHATTERTON, Esq.

THE HON. MALCOLM CAMERON, M.P.P.
RICHARD L. DENISON, Esq.
CHARLES DONALDSON, Esq.
W. P. HOWLAND, Esq., M. P. P.

THOMAS D. HARRIS, Esq.
LEWIS MOFFATT, Esq.

WILLIAM MCMASTER, Esq.
SAMUEL SPREULL, Esq.
MR. SHERIFF SMITH, COLLINGWOOD.
E. W. THOMSON, Esq.

BANKERS:

MESSRS. SMITH, PAYNE AND SMITHS;
BANK OF BRITISH NORTH AMERICA; BANK OF UPPER CANADA.

STANDING COUNSEL:

STEPHEN MAULE JARVIS, Esq.

AUDITORS:

WILLIAM ALEXANDER, Esq. | CHARLES ROBERTSON, Esq.

SOLICITOR AND SECRETARY

JOHN SYMONS, Esq.

HEAD OFFICE—VICTORIA HALL, TORONTO.

LONDON BROKERS.

MESSRS. BRUNTON & SON, BARTHOLOMEW LANE.

THE OBJECTS OF THE COMPANY, ARE:

1st. To afford to Capitalists easy and safe investments, which are secured by the subscribed capital of the Company, and by the combined security of a great number of mortgages of landed property in Canada West, not exceeding in any case one half of the value of the land. The Title Deeds are deposited with the Company, who are compelled by the Act of Incorporation to return, half-yearly, to the Finance Minister of Canada, a statement of the business done, and of their actual position at the date thereof, and which is published in the official Gazette.

2nd. To give to the Debenture holder, or in other terms, the Mortgagee, a marketable commodity—instead of Title Deeds, which he could not sell, he holds a simple Debenture which he can convert into money at any moment, with the certainty in the mean time of his interest being paid regularly to the day.

3rd. To enable the landed Proprietor who borrows, to extinguish the mortgage debt by little and little every year by means of a sinking fund, instead of repaying the principal in one sum.

NOTE.—The Company's Debentures for £50, £100 and £1,000, for 5, 7, and 10 years, bearing 6 per cent. per annum interest, are ready for delivery on application at the house of Messrs. BRUNTON & SON, Bartholomew Lane, London, E.C.

The interest is paid on the 1st January and 1st July in each year, on presentation of the proper Coupon, at the Banking House of Messrs. SMITH, PAYNE, and SMITHS, London, and may also be received through any of the Country Banks.

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